

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 4384-01
BILL NO.: HB 1940
SUBJECT: Insurance - Medical; State Departments; State Employees
TYPE: Original
DATE: February 25, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
All funds	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>All</u> State Funds*	(UNKNOWN)	(UNKNOWN)	(UNKNOWN)

***Expect to exceed \$100,000 annually.**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	(UNKNOWN)	(UNKNOWN)	(UNKNOWN)

***Expected to exceed \$100,000 annually.**

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Public Safety - Missouri State Highway Patrol**, the **Department of Conservation**, and the **Department of Transportation** assume this proposal would not fiscally impact their agencies.

Department of Insurance (INS) officials state that they anticipate that current appropriations and staff would be able to absorb the work for implementation of this proposal. However, if additional proposals are approved during the legislative session, INS may need to request an increase in appropriations due to the combined effect of multiple proposals.

Officials from the **Department of Social Services (DOS)** state that they administer a managed care program which contracts with health maintenance organizations for the purpose of providing health care services through capitated rates. DOS states that although these health maintenance organizations would be subject to the regulations in this proposal, the proposal would not have a fiscal impact to DOS. The proposal does not expand Medicaid services or eligibility.

Missouri Consolidated Health Care Plan (HCP) officials state that provider contracts are voluntary. HCP contracts for the carrier's existing networks, selecting plans that provide the broadest networks for their members. HCP seeks to provide our members with the multiple network choices where available. Therefore, many areas of the state have multiple plan options to choose. Currently, HCP provides coverage to all counties in Missouri through health maintenance organizations (HMO), point of service plans (POS), and/or a preferred provider organization (PPO). In the areas where HMO lack networks, HCP offers the PPO. The PPO is a national plan that has an extensive network. However, even the largest of plans will have voids in some service areas. To compensate state employees in these areas, HCP established an out of area benefit of 80/20 coinsurance, which provides a higher benefit level than other areas within the network. Writing a statewide rule could hinder access. Current areas that enjoy multiple plan options may see reduced offerings due to fewer bidders and increased costs.

With the passage of HB 335 in 1997, legislation was created addressing network adequacy. The Department of Insurance responded to this statute by establishing regulations that specify the network adequacy requirements. Mileage boundaries were established for primary care physicians, hospitals, specialists, and auxiliary care providers. The network adequacy requirements work hand in hand with the licensing requirements. An HMO can market business in licensed counties only. This proposal would require HCP to provide and maintain network adequacy in all service areas of the state. HCP, however, is not the regulating authority over insurance companies. HCP does not have the authority to fine or penalize a carrier for not

ASSUMPTION (continued)

maintaining an adequate network. HCP may also have difficulty obtaining bids since plans will be exposed to a population outside their service area.

Missouri statutes state that a plan must pay fee for service if a provider or specialist is not available within the geographic boundaries established in the network adequacy regulations. An HMO may be may be licensed in a particular area and meet the primary care physician adequacy requirement but may lack meeting the specialty provider's adequacy requirements. This could result in significant additional cost. Any additional costs incurred by the plans may be passed along in the form of increase premiums. Therefore, this could have a significant fiscal impact on HCP.

The second provision requires HCP to contract with carriers out of state to ensure network adequacy. However, most health maintenance plans are only available in certain market segments. Health maintenance plans may be licensed to do business in a state, but their coverage may not exceed that state's boundary. Although this provision may not have a significant fiscal impact on HCP, it is doubtful that it would serve the purpose of ensuring an adequate network within all areas of Missouri.

It is difficult to determine if requiring HCP to seek a waiver from the Department of Insurance for any regulation violations would have a fiscal impact on HCP. It would depend on the regulation that HCP had to request the waiver for or that was requested by one of the HMOs. There may be a concern that this could be an avenue to make certain Department of Insurance regulations unenforceable.

The final provision, allowing members who do neither live nor work in an HMO's service area to sign an agreement to obtain coverage, may fiscally impact HCP. Since a plan may not solicit business in a county in which they are not licensed, HCP asks the carriers to provide bids in only licensed counties. If members in a non-licensed county were allowed to opt for a plan in a neighboring county, the plans may try to compensate for this unknown population risk by increasing costs. Or, if a plan knows it is the major or only carrier in a given region, the plan may opt to not submit a bid at all if they feel they may be exposed to unpredictable costs. Emergency room usage and costs may also increase if members use local facilities instead of driving to the doctor available in the network in the neighboring county. Consequently this provision adds access to managed care options for our members. However, there may be an additional cost to do so.

HCP estimates an unknown fiscal impact that would exceed \$100,000 annually.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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ALL FUNDS

Costs - All Funds

Increased premium contributions	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT ON ALL FUNDS*

<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>
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***Expected to exceed \$100,000 annually.**

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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LOCAL POLITICAL SUBDIVISIONS

Costs - Local Political Subdivisions

Increased premium contributions	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS*

<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>
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***Expected to exceed \$100,000 annually.**

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal would require the Missouri Consolidated Health Care Plan (HCP) to maintain adequate service networks in all areas of the state. To maintain adequate networks in an area, the HCP Board would be authorized to contract with health insurers in other states and to seek waivers from regulations of the Department of Insurance to contract with those insurers. The board would also be required to seek a waiver from the department's regulations if a contracting

DESCRIPTION (continued)

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health plan so requests and the regulations are hindering the provision of health care services. An individual who lives and resides outside of a health maintenance organization's service area may enroll in the organization's plan if the individual signs a statement agreeing to travel to the service area for all health care services except emergency services.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Insurance
Missouri Consolidated Health Care Plan
Department of Social Services
Department of Transportation
Department of Conservation
Department of Public Safety
Missouri State Highway Patrol



Jeanne Jarrett, CPA
Director
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